



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0560	Title:	Video gambling tax to support health care
Primary Sponsor:	Kaufmann, Christine	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$947,647	\$10,955,343
State Special Revenue	\$5,366,529	\$35,598,032	\$36,741,805	\$29,221,437
Federal Special Revenue	\$13,702,879	\$106,366,078	\$112,679,352	\$120,326,748
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$24,341,478	\$25,870,122	\$27,494,766	\$29,221,437
Federal Special Revenue	\$6,298,299	\$26,664,706	\$28,265,472	\$29,961,539
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>(\$947,647)</u>	<u>(\$10,955,343)</u>

Description of fiscal impact:

An act creating the Montana Kids Care Program to provide health care to all Montana children: creating a governing board to establish and oversee the program: providing rulemaking authority.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services

1. State special revenue collections as a result of SB 560 will total \$24,341,478 in FY 2008, \$25,870,122 in FY 2009, \$27,494,766 in FY 2010 and \$29,221,437 in FY 2011 per the Department of Justice (DOJ).
2. Revenue will be used to fund the expanded program expenditures. In the event revenues are greater than the state share of program costs, the cash will remain in the state special revenue account; in the event revenues are less than state share of program costs then A) the cash balance will be used for the difference and then B) general fund will provide the remaining funding required.
3. The governing board will consist of 9 members.

4. The board members will be traveling from various parts of the state.
5. There will be six – 2 day meetings the first year and four – 2 day meetings per State Fiscal Year after the first year.
6. Calculations for member costs associated with board meetings with a 2.5% increase in FY 2010 & FY 2011:
 - a. Average mileage for 9 individuals: 200 miles round trip at \$0.455/mile.
 - i. FY 2008: $9 \times 6 \text{ trips} \times 200 \text{ miles} \times \$0.455/\text{mile} = \$4,914$
 - ii. FY 2009: $9 \times 4 \text{ trips} \times 200 \text{ miles} \times \$0.455/\text{mile} = \$3,276$
 - iii. FY 2010: $9 \times 4 \text{ trips} \times 200 \text{ miles} \times \$0.455/\text{mile} = \$3,358$
 - iv. FY 2011: $9 \times 4 \text{ trips} \times 200 \text{ miles} \times \$0.455/\text{mile} = \$3,442$
 - b. Average meals: 9 members, meals \$23/day for two days
 - i. FY 2008: $9 \times \$23 \times 2 \text{ days} \times 6 \text{ meetings} = \$2,484$
 - ii. FY 2009: $9 \times \$23 \times 2 \text{ days} \times 4 \text{ meetings} = \$1,656$
 - iii. FY 2010: $9 \times \$23 \times 2 \text{ days} \times 4 \text{ meetings} = \$1,697$
 - iv. FY 2011: $9 \times \$23 \times 2 \text{ days} \times 4 \text{ meetings} = \$1,740$
 - c. Average lodging: 9 members, lodging \$67/night
 - i. FY 2008: $9 \times \$67 \times 6 \text{ meetings} = \$3,618$
 - ii. FY 2009: $9 \times \$67 \times 4 \text{ meetings} = \$2,412$
 - iii. FY 2010: $9 \times \$67 \times 4 \text{ meetings} = \$2,472$
 - iv. FY 2011: $9 \times \$67 \times 4 \text{ meetings} = \$2,534$
7. Start up of the program is delayed in year 2008 for 9 months in order for system development, rule development and State Plan amendments to be approved by CMS.
8. Estimate 19.00 FTE, of those, 13.00 FTE are eligibility assistants, pay band 03, 5.00 FTE are program managers, pay band 06, and 1.00 FTE are financial specialist, pay band 06. Duties include staff meetings, conduct research and analysis, review policy options, determine eligibility, research laws and regulations, facilitate in the analysis of administrative fiscal and regulatory policies and practices, determine the basic design of operations and infrastructure for a system, determine what system needs may be necessary to assure the accountability of designated agencies for their assigned power, duties and responsibilities, and develop the plan and prepare the proposal.
 - a. FTE personal service costs:
 - i. 13 eligibility assistants x \$39,274 divided by 12 x 3 months = \$127,641 FY 2008
 - ii. 13 eligibility assistants x \$39,274/year = \$510,562. FY 2009, with a 2.5% increase each year thereafter.
 - iii. 5 program managers x \$66,458 divided by 12 x 3 months = \$83,072 FY 2008
 - iv. 5 program managers x \$66,458/year = \$332,290 FY 2009, with a 2.5% increase each year thereafter.
 - v. 1 financial specialist x \$55,646 divided by 12 x 3 months = \$13,911 FY 2008
 - vi. 1 financial specialist x \$55,646/year = \$55,646 FY 2009, with a 2.5% increase each year thereafter.
 - b. Operational costs for FTE:
 - i. 19 FTE x \$1,375 office package = \$26,125 FY 2008
 - ii. 19 FTE x \$1,400 new PC = \$26,600 FY 2008
 - iii. 19 FTE x \$1,422 annual operational costs = \$27,018 each year with a 2.5% increase in FY 2010 and FY 2011.
9. System enhancement for eligibility \$125,042 in FY 2008.
10. System enhancement for payments \$125,042 in FY2008.
11. The funding split for the operating expenditures is 50% state/50% federal.
12. Currently, it is estimated there are 24,000 additional children under the age of 18 years old that would qualify for Medicaid up to 200 percent of FPL allowed under Section 7 of this bill.
13. It is estimated that 16,800 would utilized the Medicaid services. (24,000 x 70% take-up rate = 16,800)

14. Medicaid cost per member per month (PMPM) is \$171.83 in FY 2006 for children. The PMPM costs would increase 6 percent each year thereafter.
15. The Medicaid benefits expenditures are affected due to the claims cost increase for the new enrollees and claims expenditures for dental, vision, pharmacy, and medical per the following table:

		Medicaid cost per year			
Avg Cost		\$2,186	\$2,317	\$2,456	\$2,603
U of M Bureau of Bus. & Econ Research	Total uninsured by category	FY 2008	FY 2009	FY 2010	FY 2011
Uninsured Children under age 19 (18 and less)					
37,000					
Uninsured Children under age 19 <100% FPL 12,000	8,400	4,589,923	19,460,448	20,628,720	21,866,544
Uninsured Children under age 19 <150% FPL 7,000	4,900	2,677,455	11,351,928	12,033,420	12,755,484
Uninsured Children under age 19 <165% FPL 1,860	1,302	711,438	3,016,369	3,197,452	3,389,314
Uninsured Children under age 19 <175% FPL 1,140	798	436,043	1,848,743	1,959,728	2,077,322
Uninsured Children under age 19 <185% FPL 1,334	934	510,356	2,163,816	2,293,717	2,431,351
Uninsured Children under age 19 < 200% FPL 666	466	254,631	1,079,592	1,144,403	1,213,073
Uninsured Children under age 19 < 250% FPL 6,000		0	0	0	0
Uninsured Children under age 19 > 250% FPL 7,000		0	0	0	0
Total Estimated Costs	16,800	9,179,846	38,920,896	41,257,440	43,733,088

16. The Medicaid Federal Medical Assistance Percentage (FMAP) is based on the following:
- Fiscal Year 2008 is 31.39% state/68.61% federal
 - Fiscal Year 2009 through 2011 is 31.49% state/68.51% federal.

	FY 2008	FY 2009	FY 2010	FY 2011
FMAP RATES	0.3139	0.3149	0.3149	0.3149
STATE FUNDS	2,881,557	12,256,190	12,991,968	13,771,549
FEDERAL FUNDS	6,298,299	26,664,706	28,265,472	29,961,539
Total Funds needed	9,179,856	38,920,896	41,257,440	43,733,088

17. The Children's Health Insurance Program (CHIP) would serve those children above 200 percent of FPL and under or equal to 350 percent of FPL.
18. The following children would shift to the Children's Health Insurance Program (CHIP):

Kids Counts 2006 data	
estimated population under age of 18 yrs.	204,994
children listed as uninsured by U of M Bureau of Bus. & Econ Research	(37,000)
Avg. Medicaid eligible children	(48,585)
Avg. CHIP eligible children	(13,161)
Avg. children insured by the State of Montana insurance plan	(10,900)
Remaining Children are thought to be insured	95,348
Current estimate is one out of every two children insured by private plans could shift to the CHIP program	47,674
Remaining Children assumed to retain private insurance	47,674

19. CHIP cost per member per month (PMPM) is \$166.75 in FY 2006 for children. The PMPM costs would increase 6 percent each year thereafter.
20. The CHIP benefits expenditures are affected due to the claims cost increase for the new enrollees and claims expenditures for dental, vision, pharmacy, and medical per the following table:

		Chip cost per year			
Avg Cost		\$2,001	\$2,124	\$2,230	\$2,364
	Total uninsured by category	FY 2008	FY 2009	FY 2010	FY 2011
Uninsured Children under age 19 (18 and less) 37,000					
Uninsured Children under age 19 < 250% FPL 6,000	4,200	2,101,050	8,920,800	9,366,000	9,928,800
Uninsured Children under age 19 > 250% FPL 7,000	4,900	2,451,225	10,407,600	10,927,000	11,583,600
Shift from private insurance to CHIP	47,674	23,848,919	101,259,576	106,313,020	112,701,336
Estimated need overall		28,401,194	120,587,976	126,606,020	134,213,736
Remove FY 2006 Base Benefits Expenditures		19,549,018	19,549,018	19,549,018	19,549,018
Total Estimated Additional Costs	56,774	8,852,176	101,038,958	107,057,002	114,664,718

21. The CHIP Federal Medical Assistance Percentage (FMAP) is based on the following:
- Fiscal Year 2008 is 21.93% state/78.07% federal.
 - Fiscal Year 2009 through 2011 is 22.11% state/77.89% federal.

Additional Funds required after removing benefit base expenditures

FMAP RATES	0.2193	0.2211	0.2211	0.2211
STATE FUNDS	1,941,282	22,339,714	23,670,303	25,352,369
FEDERAL FUNDS	6,910,893	78,699,244	83,386,699	89,312,349
Total Funds needed	8,852,176	101,038,958	107,057,002	114,664,718

Human and Community Services Division

22. The funding split of Medicaid administration is 50 percent state general fund and 50 percent federal special revenue.
23. It is estimated that 24,000 additional children under the age of 18 years old would qualify for Medicaid up to 200 percent of FPL allowed under Section 7 of this bill.
24. It has been estimated that each Medicaid case equals about 2.5 children per case. Thus, 9,600 ($24,000/2.5 = 9,600$) new cases will need eligibility determination each year.
25. Each Social Services Specialist provides intake and maintenance of 400 cases per month on an on-going basis throughout the year so 24.00 FTE would be required. ($9,600 / 400 = 24$)
26. Social Services Specialists are in pay band 5 of pay plan 20 and are funded at \$39,782 for FY 2008 & FY 2009 with a start date of April 1, 2008 and funding is estimated at a 2.5 percent increase for FY 2010 & FY 2011. Cost of 24.00 FTE for 2008 is \$238,692, for 2009 \$954,768, for 2010 \$978,637, and for 2011 \$1,003,103.
27. One time costs include a new employee office package (desk, chair, book shelf, and file cabinet) at a cost of \$1,375 each and a new computer at \$1,400 each. Thus one time costs in 2008 would be \$66,600 ($\$1,375 + \$1,400 \times 24$).
28. Additional annual operational costs for computer terminal fees, telephone, travel, forms, copies, etc is estimated at \$1,422 per FTE for an annual cost of \$34,128 per year.
29. Additional office rental costs are estimated at \$13.75 per square foot and each office is estimated to be 250 square feet for an annual cost of \$3,437.50 per FTE for a total cost of \$82,500 for 2008 and a 2.5 percent annual increase in FY 2010 & FY 2011.
30. The funding split for the operating and personal expenditures is 50% state/50% federal.
31. Serving children up to the 200% of FPL for both CHIP and Medicaid increases benefit expenditures for the state share of \$5,316,529 in FY 2008, \$35,598,032 in FY 2009, \$37,689,452 in FY 2010 & \$40,176,779. The difference between the additional new state special revenue generated from the tax and these expenditures will need to be funded by general fund. The additional funding needed from general fund is as follows:

	State Special Tax Revenue	General Fund	Expenditures	Tax Balance
FY 2008	24,341,478		5,316,529	19,024,949
FY 2009	25,870,122		35,598,032	9,297,039
FY 2010	27,494,766	897,647	37,689,452	0
FY 2011	29,221,437	10,955,343	40,176,779	0

Department of Justice (DOJ)

32. The special revenue account created by this bill will receive the additional revenue generated by the 22.5% and 30% tax brackets. This amounts to 7.5% of the 22.5% bracket and 15% of the 30% bracket going to the special revenue account. The general fund will continue to receive revenue from the 15% bracket.
33. It is assumed that there will be a 5% bracket adjustment in reported gross income by those who will reduce play in order to avoid higher tax brackets.
34. The special revenue generated by SB 560 is projected to grow at the same rate as projected for video gaming in HJR 2 for FY 2008 and FY 2009. For FY 2010 and FY 2011 it is projected that growth will remain at HJR 2's FY 2009 growth rate.
35. Table 1 shows the projected special revenue generated by SB 560.

Table 1	
Projected Revenue Increase Due to SB 560	
FY 2006 Income X 15 % bracket	\$20,517,220
FY 2006 Income X 22.5 % bracket	\$29,227,500
FY 2006 Income X 30% bracket	\$33,095,301
Total FY 2006 Revenue Under SB 560	\$82,840,021
Total FY 2006 Revenue under SB 560	\$82,840,021
Less General Fund Video Gaming Revenue	(\$56,912,391)
Difference	\$25,927,630
Less 5% Higher Bracket Avoidance Adjustment	(\$4,142,001)
Special Revenue Account Revenue FY 2006	\$21,785,629
Projected FY 2007 Using HJR 2 growth rate of 4.51%*	\$22,896,696
Projected FY 2008 Using HJR 2 growth rate of 6.31%	\$24,341,478
Projected FY 2009 Using HJR 2 growth rate of 6.28%	\$25,870,122
Projected FY 2010 Using growth rate of 6.28%	\$27,494,766
Projected FY 2011 Using growth rate of 6.28%	\$29,221,437
*there is no actual fiscal impact in FY 2007	

36. DOJ will require no additional staff for SB 560. A one-time expense of \$50,000 will be used to retool the video gaming database as taxes would need to be calculated as paid by the establishment rather than by the machine.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
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Fiscal Impact:

FTE	10.75	43.00	43.00	43.00
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Department of Public Health and Human Services**Expenditures:**

Personal Services	\$463,317	\$1,853,266	\$1,899,598	\$1,947,088
Operating Expenses	\$524,071	\$150,990	\$154,765	\$158,634
Equipment	\$0	\$0	\$0	\$0
Benefits	\$18,032,021	\$139,959,854	\$148,314,442	\$158,397,806
TOTAL Expenditures	\$19,019,409	\$141,964,110	\$150,368,805	\$160,503,528

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$897,647	\$10,955,343
State Special Revenue (02)	\$5,316,529	\$35,598,032	\$36,791,805	\$29,221,436
Federal Special Revenue (03)	\$13,702,879	\$106,366,078	\$112,679,352	\$120,326,748
TOTAL Funding of Exp.	\$19,019,408	\$141,964,110	\$150,368,804	\$160,503,527

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$6,298,292	\$26,664,706	\$28,265,472	\$29,961,539
TOTAL Revenues	\$6,298,292	\$26,664,706	\$28,265,472	\$29,961,539

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0	(\$897,647)	(\$10,955,343)
State Special Revenue (02)	(\$5,316,529)	(\$35,598,032)	(\$36,791,805)	(\$29,221,436)
Federal Special Revenue (03)	(\$7,404,587)	(\$79,701,372)	(\$84,413,880)	(\$90,365,209)

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Department of Justice				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Operating Expenses	\$50,000	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$50,000	\$0	\$0	\$0
TOTAL Funding of Exp.	\$50,000	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$24,341,478	\$25,870,122	\$27,494,766	\$29,221,437
TOTAL Revenues	\$24,341,478	\$25,870,122	\$27,494,766	\$29,221,437
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$24,291,478	\$25,870,122	\$27,494,766	\$29,221,437

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
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Fiscal Impact:**Total**

FTE	10.75	43.00	43.00	43.00
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Expenditures:

Personal Services	\$463,317	\$1,853,266	\$1,899,598	\$1,947,088
Operating Expenses	\$574,071	\$150,990	\$154,765	\$158,634
Benefits	\$18,032,021	\$139,959,854	\$148,314,442	\$158,397,806
TOTAL Expenditures	\$19,069,409	\$141,964,110	\$150,368,805	\$160,503,528

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$947,647	\$10,955,343
State Special Revenue (02)	\$5,366,529	\$35,598,032	\$36,741,805	\$29,221,437
Federal Special Revenue (03)	\$13,702,879	\$106,366,078	\$112,679,352	\$120,326,748
TOTAL Funding of Exp.	\$19,069,408	\$141,964,110	\$150,368,804	\$160,503,528

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$24,341,478	\$25,870,122	\$27,494,766	\$29,221,437
Federal Special Revenue (03)	\$6,298,299	\$26,664,706	\$28,265,472	\$29,961,539
TOTAL Revenues	\$30,639,777	\$52,534,828	\$55,760,238	\$59,182,976

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0	(\$947,647)	(\$10,955,343)
State Special Revenue (02)	\$18,974,949	(\$9,727,910)	(\$9,247,039)	\$0
Federal Special Revenue (03)	(\$7,404,580)	(\$79,701,372)	(\$84,413,880)	(\$90,365,209)

Technical Notes:

1. The CHIP program is scheduled for federal re-authorization during federal fiscal year 2007.
2. It is not known at this time what the grant allocations will be to each state.
3. The current federal grant allocation is not sufficient to sustain the program for serving children without a waiting list at the existing level of 150 percent of the Federal Poverty Level, FPL, in FY 2010.
4. The Medicaid program needs to have the state plan amended to raise the eligibility requirement up to 200% of FPL.
5. The CHIP state plan would need to be amended.
6. Start-up is delayed in year 2008 for 9 months in order for system development, rule development, and state plan submittal and approval.
7. Based on Medicaid enrollment projections of 17,000 new Medicaid recipients, and based on current fixed sample sizes for Payment Error Rate Measurement (PERM) and Medicaid Eligibility Quality Control (MEQC) reviews, no increase in staff will be required for PERM, MEQC, Surveillance and Utilization and Review System (SURS) or Third Party Liability (TPL). This also assumes that DPHHS will not perform any SURS reviews, TPL activity and Quality Control (QC) functions for the CHIP program, other than PERM. If the actual number of Medicaid recipients significantly exceeds the projections, additional staff may be required. Also if the Center for Medicare and Medicaid Services (CMS) increases the sample size for PERM or MEQC in the future, due to increased number of recipients, additional staff may be required. Finally, if it is decided to perform SURS reviews, TPL functions, or other QC reviews for CHIP this will require additional staff."

- 8. The following are concerns the Office of Fair Hearings has with regard to appeals:
 - a. It is difficult to project the increase in the number of contested case hearings that will be filed with the Department’s Office of Fair Hearings upon passage of SB 560 as the number of potentially eligible children who apply is unknown at this time.

Sponsor’s Initials

Date

Budget Director’s Initials

Date